

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 L-03 AID-20 IGA-02 SS-20 NSC-07

CIAE-00 INR-10 NSAE-00 RSC-01 OMB-01 TRSE-00 PRS-01

DRC-01 ARAE-00 /098 W

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P 111830Z JUL 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 5181

C O N F I D E N T I A L KINGSTON 2392

FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EAID, EMIN, JM

SUBJ: RURAL EDUCATION SECTOR LOAN

REF: A. STATE 145997 B. KINGSTON 1909

1. WE ARE GRATIFIED THAT THE RUAL EDUCATION SECTOR LOAN HAS BEEN AUTHORIZED. WE FULLY APPRECIATE CONSIDERATIONS WHICH HAVE PROMPTED DESIRE TO INCLUDE SPECIAL PROVISIONS IN THE LOAN AGREEMENT FOR RENEGOTIATING LOAN TERMS. OUR MOST RECENT FORESTRY LOAN DOES PLACE OBLIGATION ON GOJ TO NEGOTIATE AN ACCELERATION OF REPAYMENT BUT NOT, RPT, NOT TERMS OF LOAN. THEREFORE, GOJ IS LIKELY TO RESIST EXPANDING THIS PROVISION BUT MAY BE WILLING TO ACCEPT HARDER TERMS AT OUTSET RATHER THAN LIVE WITH THE UNCERTAINTY OF HAVING TO RENEGOTIATE LOAN TERMS AT SOME LATER DATE. THIS APPROACH WOULD BE LESS COMPLICATED IN TERMS OF PLANNING AND BUDGETING FOR MEETING GOJ AMORTIZATION AND DEBT SERVICING REQUIREMENTS.

2. GIVEN THE CIRCUMSTANCES OBTAINING HERE AND IN THE US, WE AGREE THAT IT WOULD BE APPROPRIATE FOR THE ANNOUNCEMENT OF THE LOAN AUTHORIZATION TO COINCIDE WITH THE SIGNING OF THE AGREEMENT. HOWEVER, WE ARE VERY CONCERNED AT THE DECISION TO TIE THE EXECUTION OF THE LOAN AGREEMENT TO "DEVELOPMENTS IN THE BAUXITE NEGOTIATIONS." IT IS NOT CLEAR WHEN THE NEGOTIATIONS WILL RESUME. IT  
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MAY BE AS LATE AS SEPT. ONCE RESUMED, THEY MAY NOT BE CONCLUDED FOR



SIX TO EIGHT MONTHS. UPGRADING OF THE EDUCATIONAL SYSTEM IS THE HIGHEST GOJ DEVELOPMENT PRIORITY. THE EDUCATION LOAN IS DESIGNED TO HELP REDRESS SERIOUS AND IMMEDIATE PROBLEMS OF UNEMPLOYMENT AND SOCIAL DISEQUILIBRIUM EXISTING BETWEEN URBAN AND RURAL POPULATION OF JAMAICA, AS OUTLINED IN FY 75-76 CASP. WHILE LOAN FINANCING IMPORTANT TO GOJ, IT IS US EXPERTISE AND TECHNICAL ASSISTANCE WHICH LOAN PROVIDES THAT IS CRITICAL. A FURTHER DELAY BY THE GOJ IN ADDRESSING THE PROBLEMS FOR WHICH THE LOAN IS DESIGNED TO PROVIDE THE INITIAL MOMENTUM COULD HAVE SERIOUS ADVERSE CONSEQUENCES FOR POLITICAL AND SOCIAL STABILITY OF JAMAICA, WHICH COULD ULTIMATELY HAVE UNFORTUNATE REPERCUSSIONS FOR US POLITICAL AND ECONOMIC INTERESTS FAR EXCEEDING VALUE AID \$9.1 MILLION.

3. AS STATED IN REF B, THE EMBASSY DOES NOT BELIEVE THAT THE DEFERRAL OF THE EDUCATION LOAN WOULD HAVE ANY SALUTARY EFFECT ON THE COURSE OF THE BAUXITE/ALUMINA NEGOTIATIONS. ON THE CONTRARY, ANY ATTEMPT ON USG PART TO LINK BAUXITE-ALUMINA OUTCOME WITH THE EXECUTION OF THE EDUCATION LOAN WILL HARDEN THE GOJ NEGOTIATING POSITION ON THE REMAINING ISSUES TO THE DETRIMENT OF THE COMPANIES' INTERESTS. IN FACT, IT IS QUITE LIKELY GIVEN HIS BASIC PHILOSOPHY AND CURRENT ATTITUDE, THAT THE PM, SHOULD HE GET WIND OF A USG INTENTION TO LINK BAUXITE AND AID, WHICH HE CERTAINLY WILL, WOULD REACT IMMEDIATELY BY POINTING OUT IN THE MOST STRIDENT TERMS THE PERNICIOUSNESS OF THE IMPERIALIST METROPOLITAN POWERS IN LINKING DEVELOPMENT ASSISTANCE TO PRIVATE ECONOMIC GAIN. WHILE THE US CAN STAND RHETORIC, SUCH A REACTION WOULD NOT RPT NOT CONTRIBUTE TO A FAVORABLE OUTCOME IN THE FUTURE NEGOTIATIONS AND COULD PLACE THE FUTURE VIABILITY OF THE ALUMINUM COMPANIES' JAMAICAN OPERATIONS IN JEOPARDY.

4 IN CURRENT CASP WE STATE EVERY EFFORT SHOULD BE MADE TO PREVENT EITHER PARTY FROM TAKING EXTREME POSITIONS THAT MIGHT LEAD TO RETALIATION. WE STRESS IMPORTANCE OF TAKING ADVANTAGE OF OPPORTUNITIES TO EXERCISE CONSTRUCTIVE INFLUENCE ON FUTURE BAUXITE NEGOTIATIONS. INORDINATE DELAY OF LOAN NEGOTIATIONS AND EXECUTION OF AGREEMENT WOULD NOT BE CONSTRUCTIVE FROM US VIEWPOINT. CASP ALSO RECOMMENDS WE REFRAIN FROM ANY DIRECT INVOLVEMENT IN THE BAUXITE CONTROVERSY AS USG SHOULD NOT BECOME PARTY TO NEGOTIATIONS. DECISION COMMUNICATED PARA ONE REF A INDICATES A SHIFT IN USG STANCE AND APPEARS TO IMPLY MORE DIRECT INVOLVEMENT.

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5. OUR READING HERE OF SITUATION SUGGESTS THAT ALUMINUM COMPANIES ARE PLAYING CONTROVERSY OVER BAUXITE LEVY IN VERY LOW KEY. STATEMENTS BY ALUMINUM COMPANY SENIOR OFFICERS AS WELL AS REPORTS BY US MARKET ANALYSTS HAVE GENERALLY STRESSED LARGE PROFITS MADE BY ALUMINUM INDUSTRY RATHER THAN GOJ UNILATERAL ACTION. INDEED, THEY HAVE ALL MADE BULLISH FORECASTS FOR THE FUTURE. JULY 8 ISSUE OF "TIME" (REPRODUCED IN MEDIA HERE) ALSO CONTAINS ARTICLE WHICH



CASTS JAMAICAN ACTIONS RE BAUXITE LEVY IN SYMPATHETIC VEIN. IN OUR EFFORTS TO BE RESPONSIVE TO US INDUSTRY STAKE IN JAMAICA, WE SHOULD EXERCISE CAUTION IN AVOIDING GETTING OUT IN FRONT OF ALUMINUM COMPANIES THEMSELVES. LOCAL KAISER REP HAS EXPRESSED TO ME SERIOUS CONCERNS THAT USG ACTIONS NOT PREJUDICE NEGOTIATIONS.

6. I STRONGLY RECOMMEND THAT THE DEPT RECONSIDER DECISION TO TIE LOAN EXECUTION TO BAUXITE DEVELOPMENTS SO THAT WE MAY BEGIN DISCUSSIONS WITH GOJ ON LOAN TERMS. RECENTLY RECEIVED LOAN AUTHORIZATION STIPULATES HARDER TERMS THAN THOSE REQUESTED BY GOJ. ADVISE WHETHER DEPT CONTEMPLATING EVEN HARDER TERMS THAN CONTAINED IN THE AUTHORIZATION, GIVEN THE POSSIBILITY OF AN IMPROVEMENT IN THE GOJ FINANCIAL POSITION.

7. ALTERNATIVELY, I COULD CARRY OUT THE INSTRUCTION IN PARA 3 REFTTEL, BUT SINCE WITHOUT DOUBT GOJ WILL BECOME AWARE OF OUR MOTIVES, I OUGHT TO BE IN A POSITION TO INFORM THE GOJ OF THE REASONS FOR OUR ACTIONS, BEARING IN MIND THE CONSEQUENCES DESCRIBED IN PARA 3 ABOVE.

GERARD

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EDUCATION, ECONOMIC ASSISTANCE, BAUXITE, LOANS, LOAN AGREEMENTS, FOREIGN POLICY POSITION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** martinml  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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